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# Message Text

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51
ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00

DODE-00 DOTE-00 INR-11 NSAE-00 RSC-01 FAA-00 INRE-00

SSO-00 L-03 PA-04 PRS-01 USIE-00 DRC-01 /083 W
---------- 021061
O R 212030Z AUG 74
FM AMEMBASSY BRIDGETOWN
TO SECSTATE WASHDC IMMEDIATE 7656
INFO AMEMBASSY GEORGETOWN
AMEMBASSY KINGSTON
AMEMBASSY LONDON
AMEMBASSY PORT OF SPAIN

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E.O. 11652: N/A
TAGS: ETRN EAIR BB AC
SUBJ: CIVAIR: SHORT-TERM LEASE IN LIFE OF LIAT

1. LOCAL BRITISH SOURCES DISCLOSED TO EMBOFF AUG 20 THAT WEST INDIES MINISTERIAL DELEGATION NOW IN LONDON FOR TALKS ON LIAT AND HMG HAD AGREED ON PLAN TO KEEP LIAT GOING AT LEAST THROUGH SEPT. PLAN INCLUDES A LINE OF CREDIT FROM BARCLAY'S BANK TO BE GUARANTEED BY GOVERNMENTS OF GRENADA AND ASSOCIATED STATES, FURTHER BACKED UP AS NECESSARY BY POUNDS 220,000 OF HMG CARIBBEAN AID FUNDS.

2. LIAT ISSUED INTERNAL CIRCULAR TO ITS EMPLOYEES AUG 20 WITH GIST OF ABOVE AND DISCLOSED THAT UK FIRM OF COOPERS AND LYBRAND HAD BEEN RETAINED AS SPECIAL ADVISORS TO CARIBBEAN GOVERNMENTS CONCERNED IN NEGOTIATIONS FOR ACQUISITION OF LIAT'S ASSETS AND FOR FORMULATION OF LONG TERM FINANCIAL AND MANAGERIAL PLANS FOR INTRA-REGIONAL AIRLINE. LIAT MEMO, NOTING THAT "ALL HURDLES HAVE NOT YET BEEN CLEARED" AND THAT LIAT WOULD BE UNDER CLOSE SCRUTINY FOR NEXT FEW WEEKS, URGED EMPLOYEES TO FOLLOW ESTABLISHED STANDARDS AND PROCEDURES FOR EFFICIENT
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OPERATION. MEMO DECLARED THAT "MANAGEMENT HAS FULL CONFIDENCE

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THAT WITH COOPERATION OF ... STAFF, OUR OPERATION'S FUTURE WILL
BE SAFEGUARDED."

3. ST KITTS PREMIER ROBERT BRADSHAW DECLARED IN TV BROADCAST
THAT COURT LINE COLLAPSE HAD THROWN REGIONAL PLAN FOR LIAT
"INTO TAILSPIN." CLAIMING THAT NONE OF ASSOCIATED STATES HAD
SUFFICIENT FUNDS TO KEEP LIAT GOING, BRADSHAW SAID SOMEONE
ELSE WOULD HAVE TO STEP IN FINANCIALLY TO KEEP AIRLINE FLYING.
BRADSHAW DISCLOSED THAT WEST INDIES ASSOCIATED STATES HAD MET
ON AUG 12 IN ANTIGUA IN AN EFFORT TO DEAL WITH LIAT PROBLEM
AND HAD AGREED ON PLAN CONSISTING OF FOLLOWING STEPS:

A) REQUEST HMG TO GUARANTEE LIAT LOSSES FOR SPECIFIC PERIOD
TO PERMIT FEASIBILITY STUDY OF TYPE AIR SERVICE AREA NEEDED.

B) AUDITOR SURVEY OF LIAT FINANCIAL AND MANAGEMENT POSITIONS.

C) INITIATE DISCUSSIONS AMONG REGIONAL GOVERNMENTS FOR LIAT
CONTINUATION WITH BWIA AND OTHER AIRLINES PROVIDING TRUNK
SERVICES THROUGH ISLANDS.

4. BRIEF GENERAL STATEMENT BY CANADIAN OFFICIAL AT MONTSERRAT
RE CANADA'S INTERESTS IN CARIBBEAN HAS BEEN TAKEN BY MONTSERRAT
GOVT AS OFFER OF AVIATION ASSISTANCE AND "MONTSERRAT MIRROR"
HAD CALLED ON REGION TO RESPOND TO CANADIAN "OFFER." CANADIANS
INFORM US THAT THEY MAY BE WILLING TO GIVE TECHNICAL AND
MANAGERIAL (NOT DIRECT FINANCIAL) ASSISTANCE AND THAT AIR CANADA
MAY EVEN BE WILLING TO BECOME MORE DEEPLY INVOLVED IN REGIONAL
AVIATION. BUT THEY MAINTAIN THAT GOC IS NOT RPT NOT ABOUT TO
BECOME INVOLVED IN PROVIDING SHORT-TERM FINANCING FOR LIAT
NOR IN SUBSIDIZING AN UPROFITABLE OPERATION. CANADIANS,
WHO HAVE NOT YET RECEIVED REQUEST FOR ASSISTANCE FROM REGIONAL
GOVERNMENTS, SAY THAT THEY WILL NOT HELP OUT UNTIL LATTER
COME UP WITH FEASIBLE PLAN AND INDICATE THEIR WILLINGNESS TO
SUPPORT A VIABLE AIR OPERATION SCHEME.

5. COMMENT: BRITISH HAVE MADE IT CLEAR THAT THEY ARE ONLY
WILLING TO HELP OUT DURING LIAT'S PERIOD OF ADJUSTMENT AND
THAT THEY HAVE NO INTENTION OF BECOMING INVOLVED IN OPEN-ENDED
SUBSIDY OPERATION. PRESUMABLY EXACT SHAPE OF ANY NEW AIR
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SERVICE OPERATION WILL NOT BE KNOWN UNTIL UK EXPERTS MAKE THEIR
REPORT ON LIAT'S FINANCIAL/MANAGEMENT AND OPERATIONAL SITUATION.
UNLESS LARGER REGIONAL COUNTRIES (I.E. BARBADOS AND TRINIDAD/
TOBAGO) PLAY MORE ACTIVE ROLE, SOME FORM OF EXTERNAL HELP
WOULD APPEAR TO BE ONLY SOLUTION. AIR CANADA, WE UNDERSTAND,
WAS EXTREMELY INTERESTED IN COMING INTO AREA BUT WANTED NO PART
OF LIAT DEBT. IT APPEARS THAT LIAT WILL KEEP FLYING, AT LEAST
FOR TIME BEING, BUT SHAPE OF FUTURE ARRANGEMENTS ARE UNCLEAR

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AT THIS POINT.
SIMMS

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# Message Attributes

**Automatic Decaptioning:** X
**Capture Date:** 01 JAN 1994
**Channel Indicators:** n/a
**Current Classification:** UNCLASSIFIED
**Concepts:** AIRLINES, BANK LOANS, CREDIT GUARANTEES, TRANSPORTATION SUBSIDIES, FOREIGN POLICY POSITION
**Control Number:** n/a
**Copy:** SINGLE
**Draft Date:** 21 AUG 1974
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**Disposition Approved on Date:**
**Disposition Authority:** boyleja
**Disposition Case Number:** n/a
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**Disposition Date:** 28 MAY 2004
**Disposition Event:**
**Disposition History:** n/a
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**Handling Restrictions:** n/a
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**Previous Classification:** LIMITED OFFICIAL USE
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**Subject:** CIVAIR: SHORT-TERM LEASE IN LIFE OF LIAT
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